FINANCIAL SERVICES REPUBLICAN MORNING CLIPS 8.9.2010

Wall Street Journal: "Wall Street Slim-Down to Leave Bottom Line Alone ... It's slim-down time for Wall Street firms facing curbs on some of their businesses under the financial-regulation overhaul passed by Congress last month. But restructuring or getting rid of those operations is likely to have little effect on the bottom line. From Bank of America Corp. to Goldman Sachs Group Inc. to Morgan Stanley, executives are deciding the fate of their proprietary trading and private-equity activities. The Dodd-Frank law restricts firms from trading exclusively for their own accounts, while limiting their investments in private equity or hedge funds to 3% of Tier 1 capital."

Wall Street Journal: "Regulators Plan First Steps on Credit Rating ... U.S. financial regulators this week will take their first steps to replace private credit ratings in their review of bank capital levels, a big step for regulators eager to ensure they are able to accurately assess firms' financial condition."

Wall Street Journal: "Governments Help Ford Cut Debt ... Ford Motor Co. is getting help from the U.S. and other governments around the world as it races to slash its debt and boost its credit rating-an ironic position for the only U.S. car maker that didn't receive a government bailout last year."

New York Times, Editorial: "Housing Policy's Third Rail ... Understanding how these companies operated is crucial if we want to avoid repeating the mistakes of our recent past. So, when you hear about Fannie and Freddie reform this fall, remember that we still don't know the half of it."

New York Times, Editorial: "China and the I.M.F. ... A growing list of countries - from the United States to the European Union to Brazil - have complained that China has been cheapening its currency. So it is positive news - of a sort - that China agreed to submit this year to the International Monetary Fund's annual review of exchange rate and economic policies."

Washington Post: "Fannie Mae, Freddie Mac losing political support as U.S. reshapes housing finance system ... For several decades, whenever a question of housing policy came up in Washington, two companies dominated. Fannie Mae and Freddie Mac marshaled armies of lobbyists, deep political connections and millions of dollars in contributions to get their way. But now Fannie Mae and Freddie Mac, titans of the mortgage finance industry, are wards of the state, bailed out by Washington to the tune of $160 billion and banned from political activity. As the Obama administration and Congress prepare to take up overhauling the $12 trillion U.S. mortgage market, new interests are shaping the debate like never before."

Financial Times: "US to pay big sums for Wall St tip-offs ... New US whistleblowing incentives within the Dodd-Frank financial reform act - that could net informants multimillion dollar pay-outs - are likely to generate a surge in allegations against US-listed companies and Wall Street banks, lawyers say. The Securities and Exchange Commission is expecting a sharp increase in tip-offs from senior employees and third parties prompted by potential seven-figure bounties."

Los Angeles Times: "Freddie Mac requests $1.8 billion in aid after loss ... Government-controlled mortgage buyer Freddie Mac is asking for $1.8 billion in additional federal aid after posting a larger loss in the second quarter. Freddie Mac said Monday it lost $6 billion, or $1.85 per share, in the April-to-June period. That takes into account $1.3 billion in dividends paid to the Treasury Department. It compares with a loss of $840 million, or 26 cents a share, in the second quarter a year ago."

Bloomberg: "U.S. Investors Regain Majority Holding of Treasuries ... For the first time since the start of the financial crisis in August 2007, U.S. investors own more Treasuries than foreign holders. Mutual funds, households and banks have boosted the domestic share of the $8.18 trillion in tradable U.S. debt to 50.2 percent as of May, according to the most recent Treasury Department data. The last time holdings were as high, Federal Reserve Chairman Ben S. Bernanke cut interest rates for the first time between scheduled policy meetings as losses in subprime mortgages spurred a flight from riskier assets."+

National Review, Kudlow: "The Economic Story Is Going the Wrong Way ... With the disappointingly soft jobs report for

July, and a faltering recovery overall, is Team Obama getting ready for some sort of new, liberal-left, Keynesian, big-bang stimulus package? Will they be desperate to "do something"? Already there are rumors of an August surprise (to use the phrase of business columnist Jimmy Pethokoukis) where Fannie Mae and Freddie Mac forgive underwater mortgages held by millions of Americans. And with state and local government jobs having fallen 169,000 year-to-date, perhaps the Democratic Congress and the White House will seek an even bigger spending plan for teachers and Medicaid workers -- on top of the $26 billion plan that just passed the Senate."

The Nation, Editorial: "The AIG Bailout Scandal ... The government's $182 billion bailout of insurance giant AIG should be seen as the Rosetta Stone for understanding the financial crisis and its costly aftermath. The story of American International Group explains the larger catastrophe not because this was the biggest corporate bailout in history but because AIG's collapse and subsequent rescue involved nearly all the critical elements, including delusion and deception. These financial dealings are monstrously complicated, but this account focuses on something mere mortals can understand-moral confusion in high places, and the failure of governing institutions to fulfill their obligations to the public."

Investor's Business Daily, Editorial: "A Mortgage Rescue In Every Pot ... It appears that Democrats will receive a severe beating in the fall elections. What can save them? How about the administration wiping out large swaths of debt for underwater mortgage holders?"